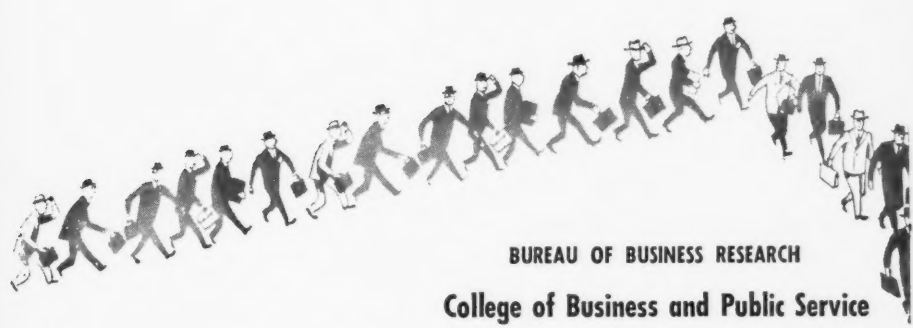


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BUREAU OF BUSINESS RESEARCH
College of Business and Public Service
MICHIGAN STATE UNIVERSITY
EAST LANSING

Where Are Tomorrow's Professors?

The above question is beyond answering here, but it draws attention to a problem that is vital to businessmen.

Increasingly, concerns are seeking college graduates trained in business administration. There is a parallel growth in the number of majors in business administration. Qualified university teachers are today, however, in short supply. Does the future portend any easing of this shortage?

It does *not*. In the 6 years ending in 1960, the number of men entering the teaching of business administration, qualified with educational requirements, will be 34 percent short of the number needed to maintain present student-teacher ratios. In the succeeding 5 years, the supply will be 54 percent short! (The authority for this forecast is the recent study of the American Association of Collegiate Schools of Business.) Obviously this means either a sharp restriction on the number admitted to business administration schools or deterioration in the quality of education. *Either is bad for business.*

The remedies lie partly in the hands of university administrators. Yet businessmen are involved and able to help. May we suggest these reasonable forms of assistance: (1) Spread word among youth of the mounting demands for professors in business subjects; (2) Contribute scholarships that will enable more to take advanced degrees and qualify for faculty positions; (3) Widen summertime employment of faculty members, a mutual benefit that enhances teaching; and (4) Reduce efforts to lure competent professors from the campuses to industry.



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"Let your discourse with men of business be short and comprehensive."

(George Washington's *Copybook*).

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MANPOWER PROBLEMS AND THE NATION'S WELFARE

By O. K. FJETLAND*

The critical shortage of technical and scientific workers must be met by the combined expanded efforts of educational institutions, government, employers, and labor unions.

In a recent issue of the *Labor Market Review*, a publication of the United States Department of Labor, Edgar Weinberg of the Bureau of Labor Statistics said:

Automatic technology, automation, or automatization are terms widely and interchangeably used to describe the most recent phase of American industrial development. They cover the increasing use, both in offices and factories, of various types of labor-saving equipment having virtually continuous and in some instances self-regulating operation. Instead of small changes to achieve greater efficiency, as in the traditional management practice, recent innovations often involve extensively re-planning the flow of work and the layout of plants and offices, and completely redesigning products for greater automaticity in production. While these changes are hailed as the beginning of a new era, they are in principle a continuation of past trends.

But the accelerated pace at which new methods and new uses of machines are developed to replace human physical effort, is having a revolutionary im-

pact upon the occupational pattern of our work force.

The future quantitative effect on employment in the areas where automation is used is difficult to estimate. But there can be no doubt that use of automatic equipment will result in greater output per man-hour of work. Thus if the increased output cannot be absorbed through an expanded market the result must be either less hours or less workers.

While demand for workers in some occupational areas is lessened, increased demand in other areas is already in evidence.

Never before in the history of the nation has the competition been as keen for workers skilled in the crafts, technically trained or professional qualified. And there is every evidence that for the next decade shortages will increase unless there is a marked expansion of apprenticeship programs, technical schools and college enrollment, particularly in education, engineering and science.

While the advancement of technical and scientific development has had, and will have in the future, significant effects on occupational and labor force adjustments, progress and expansion in other areas is also having a marked effect.

*Mr. Fjetland is Director of the Employment Service Division of the Michigan Employment Security Commission. This article is based on a speech presented on August 22, 1956 by Mr. Fjetland at the Economic Education Workshop sponsored by M.S.U. and held on campus.

The acceptance by government of responsibility for the social and economic well-being of the individual, economic and population growth, ease of communication and travel, military demands, and atomic development are all contributors to the development of new occupations and new work opportunities. Shorter hours of work and paid vacation periods have added jobs in the recreation and resort areas. Increased income has brought about growth in the retail and wholesale trades with concurrent rise in employment.

Continued high income and purchasing power, together with population growth, gives assurance that persons trained in occupations in the fields of trade, service or government (and our present unemployment situation in Michigan gives evidence of the fact) will be least likely to be affected by temporary employment decline.

The maladjustment of the labor force in Michigan is more severe than in most other states. But in all states exists the incongruous situation in which men and women can find no employment while hundreds of job stations are vacant because of the lack of qualified workers to fill them.

Long-range Program Needed

Manpower problems have received increasing publicity in recent years, yet the public has been concerned with these problems only during periods of economic emergency. The nation cannot afford to wait until crisis compels it to consider how to improve and increase its skills.

Our economic and social well-being and continued progress depend to a large degree upon the men and women who work in professional, scientific, technical, and skilled fields. The tense

world situation gives resources of manpower a special importance. In achieving national security and in strengthening the free world, many different kinds of professional persons, scientists, technicians, and skilled tradesmen play key roles.

The nation's welfare requires that long-range programs for the development of an adequate supply of professional persons, scientists, technicians, and skilled craftsmen be instituted as quickly as possible. If such programs were established this week, there still would be a definite "lag period" before the nation could expect to have any trained personnel to relieve the shortage. For instance, additional engineering and scientific personnel will not be available under an accelerated training program until 1960 to 1964. Similarly, electronic and other needed technicians would not be available to assist engineers and scientists in their work before 1958 to 1960. Finally, it would take from 1960 to 1963 to develop needed skilled craftsmen. Possibly, there might be another "lag period" before enough young people could be recruited, screened, and selected for training in a critical or shortage occupation.

All programs dealing with manpower shortages require planning, evaluation of existing conditions, analysis of trends, and a determination of solutions. No one person, organization, or government agency can do this job alone. It requires cooperation—cooperation between local, State and National organizations. The following key organizations would have to work on such a problem: local boards of education, employers and their associations, labor unions, professional associations, colleges and universities, the State Department of Public Instruction,

the MESc, the Bureau of Apprenticeship, the U. S. Department of Labor, and the U. S. Department of Health, Welfare and Education.

Shortage of Professional Personnel

Let me quote an excerpt by Mr. Melvin Price, a member of the Joint Committee on Atomic Energy, which was printed in the publication, *Engineering and Scientific Manpower in the U. S., Western Europe and Soviet Russia* (dated March 1956):

It should not be a secret that our country is in desperate danger of falling behind the Soviet World in a critical field of competition—the life—and—death field of competition in the education and training of adequate numbers of engineers, scientists, and technicians. But although, it is not a secret, the facts have not sunk into the public mind. They also have not sunk into the minds of the Administration and Congress. I suggest the time has come for strenuous action by the government, by business corporations, and universities for what might be called a "crash program" to increase swiftly and steadily the number of adequately trained American engineers, scientists, and technicians.

Engineering graduates in the classes of 1954 through 1960 will have accumulated to about 225,000. However, assuming continuation of the present economic expansion coupled with a status of "partial mobilization", our needs will approximate 285,000. Should this country enter a period of full mobilization, engineer shortages will be further aggravated.

The situation in Michigan is similar to that in the rest of the country. There are only 7 universities and colleges in Michigan that offer training in professional engineering. So the number of graduate engineers in the State is limited somewhat by the facilities of these institutions. However, the number of graduates in engineering has

dropped from a high in 1950, when a majority of each graduating class were veterans who were completing training under the G. I. Bill. In 1950, Michigan colleges and universities graduated 1,685 engineers, and in 1955-56 graduated only 999 engineers, a drop of almost 700.

After the Korean War, the government increased its demand for physicists tenfold. As the government placed research and development contracts with industry, the increased demand shifted to that area. The scarcity of physicists can be attributed to the factors which determine the supply of persons completing graduate work in physics: (1) Most persons receiving doctoral degrees are drawn from the top 6 percent of the population, as measured by intelligence; (2) The profession requires a personality that reflects an interest in research and theorizing about the properties of the physical world; (3) Attraction for the work; and (4) Educational opportunities for training in physics from high school through the post-graduate level.

In June 1956, three Michigan universities reported that 14 persons were graduated with degrees in physics. This was less than 3 percent of the total receiving doctoral degrees in the United States.

According to a U. S. Bureau of Labor Statistics report, "The great need for manpower with technical knowledge and specialized skills, brought about by the defense program and the generally high level of production, has sharply increased employment opportunities for all types of technicians who work with professional engineers and scientists. It has created acute shortages in some fields."

Technicians work as members of an engineering or scientific team in re-

search and production planning, and in designing, constructing and maintaining the materials and machines of our mass-production economy. Shortages of engineers and scientists are expected to continue for some years; therefore, the need for related technicians is likely to rise farther. In some cases, scientific jobs are being "diluted" and "broken down" so that technicians may be used. If the present shortage of scientific personnel continues, alert management will probably employ more technicians in order to make more efficient use of their professional employees.

General Recommendations

The National Manpower Council was established at Columbia University in the Spring of 1951, under a grant from the Ford Foundation to study significant manpower problems in this period of crisis and to contribute to the improved development and utilization of the country's human resources. The Council's primary concern is the training, skills, capacities, competence, and creativeness of the American people—that is, the quality of our human resources.

The Council first investigated the problem of *Student Deferment and National Manpower Policy*, on which it reported in April, 1952, and took as its second study *A Policy For Scientific and Professional Manpower*. The Council's third subject was *A Policy For Technical and Skilled Manpower*. Each of these reflects the Council's concern with the quality of the nation's human resources.

Only a purposeful and sustained effort can insure that the United States will have adequate resources of scientific and professional manpower to meet its needs. Neither reliance upon

a single course of action nor the pursuit of separate and unrelated policies will enable the nation to attain this goal.

In reference to the nation's scientific and professional resources, the National Manpower Council recommended that:

1. The foundations and the universities encourage and support research designed to increase our understanding of the processes of educational and career choices; of the factors facilitating the development of talent and intellectual ability; and the conditions contributing to superior performance.
2. Private and governmental agencies concerned with the development and utilization of scientific and professional manpower intensify their efforts to collect and analyze significant information about these critical resources.
3. The Federal government, because of its specific responsibilities and unique facilities, provide leadership for these cooperative tasks under the guidance of the Office of Defense Mobilization.

With respect to strengthening the institutions which educate and train our scientists and professionals, the National Manpower Council recommended that:

4. State and local governments, alumni, business, labor, and other interested groups and individuals intensify their efforts to provide the financial support required by the colleges and universities to improve their faculties and facilities.
5. The President appoint a commission composed of represent-

atives of government, universities, and industry to review the impact of governmental research and development contracts upon the primary responsibilities of the colleges and universities to advance fundamental knowledge and train tomorrow's scholars and scientists.

6. Colleges and universities recognize that a dynamic society requires the kind of education and training that equips students to meet not only the demands of their first jobs but also the challenges of new tasks and problems which they will face many years later.

With respect to maintaining a continuous, large flow of students through our colleges and universities, the National Manpower Council recommended that:

7. The public continue to support the present program of deferring qualified students in order to enable them to complete their education before they discharge their obligation of military service, and the President remove dependency, except in cases of hardship, as a ground for deferment in order to insure that postponement of service does not turn into exemption.
8. The Secretary of Defense direct the Secretaries of the Army, the Navy, and the Air Force to provide sufficient flexibility in their policies governing the calling to active duty of students enrolled in Reserve Officers' Training Corps programs, so that well-qualified students are permitted to pursue graduate work prior to their military service.

With respect to expanding the opportunities for capable young persons to secure a higher education, the National Manpower Council recommended that:

9. The public and its elected officials fulfill their responsibilities to maintain good elementary and secondary schools by providing the financial and personnel resources necessary to remedy the present weaknesses in our educational system.
10. The schools, professional societies, governmental agencies, and other interested groups act together to strengthen the information and counseling services for high school and college students to assist them in the sound selection of schools, courses of instruction, and careers.
11. Scholarship and fellowship programs, supported by private and public funds, be maintained and expanded to help more young people of ability to acquire a higher education.

With respect to improving the utilization of the available supply of scientific and professional personnel, the National Manpower Council recommended that:

12. The President initiate a review of the existing legislation and administrative procedures governing the recall of reservists to active duty in order to develop a system that will provide for civilian participation in determining the distribution of scientific and professional personnel required to meet military and civilian needs.
13. Management intensify its efforts to determine the most effective balance among the different

types of manpower it employs—scientific and professional, technical, skilled, and semi-skilled—in order to insure efficient and economical operations and to provide for the further training of the manpower for which it is responsible.

14. Business and government intensify their efforts to develop executives who understand the importance of insuring that each highly trained person has the opportunity to utilize his capacities as fully as possible.

NOT THE BIGGEST, NOT THE MOSTEST

Texas' Governor Shivers, at the opening of the \$32,000,000 Gulfgate Shopping City outside Houston, proclaims it as "the world's largest shopping center."

Your editors, ever on guard against outsize claims coming from the Lone Star State, note the following facts about Gulfgate Shopping City:

It was developed by realtors from Boston, Massachusetts;
financed in part by a Connecticut insurance company;
planned by an architect from Seattle, Washington;
and finally it is outranked in size by shopping centers in the unassuming states of New York, Oregon and Michigan.* This time Texas has to settle for the moderate boast that Gulfgate is the Largest in the South.

*The truth of the matter is that Northland remains "the largest shopping center." See the article in July, 1956 *Business Topics*, page 24.

WHAT CAN WE COUNT ON FROM THE LIBERAL ARTS?

By R. H. COLLACOTT*

While colleges of business administration are sources of leaders for industry, the liberal arts, too, have contributed to the development of leaders in our society.

Any discussion of the confused situation in which most of the time we seem to find ourselves, is apt to bring out the observation that in reaching for expedient solutions of our economic problems we have often paid an excessive price in the form of sacrifice of personal freedom.

The conclusions generally reached in such discussions are that in the age-old see-sawing between liberty and security we have been led by the harrowing experiences of two wars with an intervening depression, to place a too high value on security (an ever fugitive goal). And no matter how understandably, we have mistakenly set social and economic forces to work which, before they are spent, will exact a toll from society far greater than would those with which they were designed to cope. I am one who leans very strongly toward that view and I should like to re-examine the subject to sort out those freedoms which can be defended from those which must be yielded with the constant growth of an interdependent society.

Any publication picked up at random might be expected to contain an article or statement by a public figure, written with the intention of arousing his fellows to the seriousness of the situation and supposedly to stir them on to some kind of action which would resist this unhappy trend. Now far be it from me to minimize the worth or importance of Paul Revere. Throughout history we undoubtedly owe a great deal to those who have been alert to danger, who have warned their fellows in time, thus allowing some effective resistance to be organized. But the weight of numbers must be in that resistance. The number of Middlesex County farmers who got out of bed and lined up to resist the British outnumbered Mr. Revere by several hundred to one. I submit that today, if the ratio has not actually been reversed, the Paul Reveres at least outnumber those who are doing anything about it, other than to agree that it is indeed a distressing situation and that more Middlesex farmers ought to get out of bed, get their clothes on and stop it.

Our Declining Freedoms

Of course, freedom as a subject in itself is anything but new. It can be shown that even today when many of us feel that many of the areas of self-

*Mr. Collacott is the Director of Public Relations of Standard Oil of Ohio, Cleveland, Ohio. This article is adapted from an address given at Michigan State University on February 16, 1956.

determination are being unnecessarily and unjustifiably reduced, we have nevertheless, in a comparative sense, one of the freest societies in history. I believe that to be true. I agree further with those who point out that our remarkable progress in the physical sciences has given us powers, enlarging our lives, making more of the arts available to us, etc., which go far toward off-setting the social restraints which have accompanied it. In other words, few of us, now that we have experienced this present society, would be willing to make an even exchange for the environment of a hundred or even fifty years ago. I do not agree, however, with the idea that this advance must be paid for by a constantly increasing statism nor that it raises problems which can only be settled by a greater and greater reliance upon a welfare state.

The most popular conception of freedom is probably the absence of chafing. In any specific situation, there are literally thousands of things a man may not do which in other circumstances he may. Since he has at the moment no inclination to indulge in every vagary, he has no particular sense of social prohibitions or frustrations. We normally regard his acceptance of these restraints and conventions as a measure of his maturity.

We do not carry that same kind of thinking over into the field of political freedom. John Gunther has pointed out in his writings on Russia that the standard freedoms which we consider indispensable mean very little to the man who has *never* experienced them, that like the physical luxuries we miss only those things we have lost after having known and enjoyed them. Our acceptance of the social conventions and our abhorrence of the political

restraints may be very largely a point of view but we have it and we do not choose to change.

It seems to me that we must make a clear distinction between those liberties which we must yield with the rise and constant expansion of a machine powered society, and those which we do not need to sacrifice either to a welfare state or to an administration of any party bent on preserving itself in office, no matter what lasting harm may be done to the economy in pursuing such a policy. It has been observed countless times that every new step in achieving control over the physical world is accompanied by new strains on the social sciences, new restrictions on the people, and new invasions into areas hitherto reserved for private action.

My favorite illustration of this process is to assume that tomorrow we discover a sure method of rain control. The first reaction is one of satisfaction that we can now have rain when we want it. That pleasure is immediately tempered by the realization that we must determine whose wants get priority and that regional rain commissions must be established to deal with those problems affecting areas quite different from the present political subdivisions. Thus we would have one more instance of man being forced to play God, a role in which it is generally felt he has not so far demonstrated too much success. Similarly, the commissions dealing with federal trade, interstate commerce, securities exchange, federal communications, atomic energy, and many others, have all come into being as a result of scientific developments or processes unknown in an earlier day. These developments created problems crying for settlement. The commissions of

this sort therefore can trace their origins to various steps in the development of an interlocking society rather than to an administrative attitude or a philosophy of government.

The fairly obvious point is that sociology like citizenship is everybody's business and the efforts to escape it, as well as the attitude of over-specialization, are almost certain to reduce our political freedoms.

Statism and Freedom

To me the Capitalist *System* is a misnomer. What we have is a capitalistic society almost entirely accidental and evolutionary in character, subject only to the deliberate controls established by the constitution, the laws of the land, and the commissions and bureaus which I have previously mentioned. There appears to be no dictionary definition of "system" which precisely fits our society. An infinite number of events have gone into the shaping of it into its present form. The absence of any one of them or even a change in their historical sequence would surely have had profound effects upon the society which has resulted.

And that is really what we want. Right here it is probably apparent that we have the task of preserving some sort of balance between complete license and the oppressive measures of statism. Let us see how it works. A disaster in a large community is almost always followed by a declaration of martial law, relief barracks, soup kitchens, etc., all features of the police state. But any enlightened citizenry looks upon the necessary measures as temporary and works to end the situation which necessitated them.

The aspects of a planned economy, however, are not quite so apparent. Obviously, we must do some planning.

No one could argue against it. The question becomes how far to carry it, not in time but in extent, out into society. Here no formula is at hand to enable us to make any nice easy determinations. The guides must be from our knowledge of history, from Plato's writing, Lord Acton's essays, in fact from the whole field of literature.

Let us return to the statement that events will always lead to actions which promise the settlement of problems. Society as a whole is an organism not blessed with too much patience or tolerance. During the bank holiday of 1933 few people were troubled with any legal or technical difficulties which might stand in the way of reopening those banks. Likewise when the fall of France was imminent few people questioned whether Winston Churchill was empowered to offer a union of the two nations, England and France.

Of course most of our problems are less dramatic and less terrifying than those awful events. That is what makes the movement so insidious. The drift to the planned economy is almost always brought about by the process of devising solutions to pressing problems. If we were indifferent to the cost or the consequences we know that we could just about eliminate juvenile delinquency in our large cities by a high degree of custodial care but we also know that the cost and the constant need to increase it would be prohibitive.

The Place of the Liberal Arts

Now where do the liberal arts fit into this discussion? It seems to me that this interdependent society promises to be the greatest forward movement in history if we can accompany its acknowledged technological achievements with the following additional

accomplishments, difficult as they may seem.

First, some emancipation from the slavery to the opinion of the crowd, the "everybody knows" theory which justified pharisaism, which knew the earth was flat and which sanctioned the persecutions of Salem witchcraft.

Second, the capacity and the courage not only to think for one's self but to stand for one's convictions.

Third, the development of a ruthless capacity for critical analysis, the ability to know what to embrace of the new and what to discard of the old.

Fourth, some appreciation of truth and beauty.

Fifth, the humane attitude, the belief that another man's divergent views may be honestly held, to be assailed occasionally by the harrowing thought that he could be right; the willingness to see one's beliefs march out to the market place and stand or fall.

That is quite a catalog, but keep in mind that our society is not so insecure that we need anything approaching 100 percent achievement of these points. Remember, too, that the difference between cultivation and the lack of it is not the presence or absence of growth but rather the control of that growth. That control seems to be centered in the advancement of the liberal and fine arts.

What can we count on from the liberal arts? First I should like to observe that we have three fields of development, none of which may be safely neglected.

Ordinary Training: The first is that of ordinary training. Present day home life differs fewer opportunities of apprenticeship exposure with every passing year. This means that more and more attainments of straight factual assimilation have to be brought into the

area of deliberate academic instruction. In themselves there is nothing bad about them except they require time which those believing in higher standards of education must begrudge.

Developing the Electorate: The second is much more properly in the province of the liberal arts but still does not strain it very much except as to quantity. That is the task of developing the electorate to the degree necessary to be competent stewards of our economy and our society. This may seem very simple indeed but it seems to me to present enormous difficulties. The first is that if the secondary schools find they must take over instruction formerly thought to belong in the home they must push upward some of the work heretofore considered necessary in college preparation. We hear constantly not only that Johnny can't read, but that he can't spell, doesn't know any history and can't do arithmetic. We can probably assume that he can brush his teeth, use the telephone, and drive a car.

The second difficulty is the growing complexity of our economy. I probably need only remind you of that and yet as a matter of self-examination let each of us ask himself how competent he is to pass judgment on foreign policy, on the Dixon-Yates controversy of a year ago, or the more recent issue regarding price controls on natural gas production.

The third difficulty is that of our expanded stewardship. I should like to recall an observation made by Carl Wittke of Western Reserve University a few years ago that when Jefferson wrote the immortal Declaration, thousands of men and women were held in slavery in a free America where all men were supposed to be created equal;

women, both by law and custom, were considered low-grade inferiors of the human race; and only from 8 percent to 16 percent of the male adults could vote, and still fewer could hold office.

It is unpleasant to think what would have evolved in our present mass production age if popular participation in the political and economic life of America had been held to the low percentages of 1776. And yet in its day and under the conditions of its time it was working. In fact, the resentments which led to the Declaration of Independence had to do with the unsatisfactory relations with the Mother Country and people were apparently very little concerned with the degree of democratic achievement on this side of the water.

Viscount Bryce pointed out in 1921 that nobody since Aristotle had treated of constitutions on the lines Alexander Hamilton desired for his guidance, and that forty years after the establishment of our government, it was only in the United States that it could profitably be done. He then went on to remark that within the past century nearly all the monarchies of the Old World had been turned into democracies and that democracy had become universally accepted as the normal and natural form of government.

Those confident words were written in 1921. And yet in the same year Mussolini was organizing fascism as a political party and in the following year led his march on Rome. Eight years later, Judge Learned Hand, one of America's distinguished jurists, and certainly a great liberal, was saying in an address to the American Law Institute, "Our experience in making all the people legislate all the time has not yet encouraged us to look to that as the way out. So far as we can fore-

cast the future, it is more likely to see an increase in minority rule."

I do not cite Judge Hand's remarks as a repudiation of democracy. He did not in any sense despair of it. Rather, he was taking a realistic attitude within a framework of democracy.

Creating Leaders: This brings me to the third field of development for the liberal arts; that of creating genuine leaders in our society. That, to my mind, is the point where the greatest pressure will come upon the liberal arts. I have already mentioned twice that society will always move in the direction which promises the solution of immediate problems and that direction is generally that toward a more highly planned economy. I have taken time to show that while we must plan to some degree, an excess of that planning leads directly to statism. There is nothing new about this. The tensions between liberty and law have always existed and are now brought into sharper focus only because of the changing nature of society.

Now I should like to emphasize the greatest difference between this partially planned and directed economy and an industrial organization, the efficiency of which is so directly dependent upon the excellence of its planning. Such an organization is a planned operation with no doubts or apologies about it. People are quite properly assigned to tasks. They generally accept them willingly, depending upon the organizational skill of the administrators. They would of course resent such a procedure if imposed by society and yet that is what did happen in England under the labor government. We cannot transfer the industrial type of planning to social problems without ending up with regimentation. And yet areas of general concern lie on

every hand. In any metropolitan community the editorials and letters to the editor are saturated with material of a sociological nature. An examination of this material would reveal that many of the issues which must be dealt with often do not fall within any person's direct responsibility. They depend for their settlement upon enlightened recognition, analysis, and voluntary leadership. While there are many avenues of preparation for such leadership I think it could be shown that none is so promising as a thorough grounding in the liberal arts concentrating particularly on the goals I listed earlier.

But we must keep in mind that in quality and worth much greater ranges exist in the fields of the arts than in those of the technical sciences. The product of any of our technical institutions can almost always be depended upon for a certain minimum of performance in a given kind of work. No such certainties exist in the case of the products in the liberal arts field. While there are some reasons for this which can not be changed, there are some others which can. Those which can be changed come into the group of tremendous emphasis on the qualitative features of academic preparation.

My first observation is that there must be not only the existence of such people but there must be enough of them. Our social pattern will be determined by the ratios which exist. If an army has only one competent captain for five hundred men it could probably more wisely have companies of that size rather than have five companies, four of which were headed by incom-

petents or dispensing with the services of four hundred men because of a lack of officers.

Whether this is true or not, in society it is exactly what does happen. Where support and participation are voluntary, it is only the leaders who are followed. The feudal system owed its existence to many features other than this but we know that we could not have had the transition to our present type of society without a stupendous program of education of both the mass and qualitative kind. Conversely a shortage of these superior people would cause the re-establishment of many of the features characteristic of the feudal period, the large blocks of personal control, the willing sacrifice of freedom for greater economic security and others.

I see little reason to fear for our society or for the kind which will develop in the future.

It will depend on many things and on many people. The fact that voluntary activity in a democracy rests upon a high level of education is too well known for comment. As the points I have described here become more widely recognized, the worth of liberal arts education will also be more highly valued. The pressure could become great. Everyone familiar with education is now aware of the approaching tidal wave. Not all are so deeply concerned over the qualitative demands. There are many outside the educational field who, recognizing the matters I have covered here, are now asking, "What can we count on from the liberal arts?"

A NORTH AMERICAN VIEW OF BUSINESS IN BRAZIL

By STANLEY E. BRYAN*

M.S.U. professor reports on development of the first university-level school of business in South America.

A short time ago I had flown down to Sao Paulo where there is a symbol of Michigan State in Brazil. In Sao Paulo, in one of the hundreds of tall buildings which make up the center of this great city, is a school of business administration. It is the first university-level school of business administration in South America. This is a symbol of Michigan State in Brazil because Michigan State University is helping to develop the school.

Sao Paulo, the Chicago of Brazil

On the map of South America you will see that Sao Paulo lies about 200 miles to the west of Rio. There is both a city and a state of Sao Paulo. The city of Sao Paulo is estimated to be as large in size as Rio, and with the present rate of growth, probably larger. It is larger than any city in the United States outside of New York or Chicago. The comparison with Chicago is appropriate. For Sao Paulo is the Chicago of Brazil. Sao Paulo's growing industry and commerce are attracting people and businesses from all over the world. It has the reputation of be-

ing the fastest growing big city on earth. One is inclined to accept this claim at face value when one looks across the skyline of the city. Huge new buildings pierce the sky and factories appear on every side. New construction is to be seen in every direction.

Sao Paulo has sought technical contributions from the entire world. On the great machines, on the control panels, and in the technical instructions for machine operation one is likely to find the use of German, French or Italian. But the preponderance of technical terminology and word usage is in North American English. The language of Brazil is Portuguese. But Sao Paulo is cosmopolitan in its language habits. The influence of North American trade names, books, journals, and motion pictures is very great. "O.K." is heard on every side. So is "Hi!" A small truck is a "Pick-up". Coca-Cola, Ford, Chevrolet, Chrysler and hundreds of other North American trade names are part of the basic vocabulary here. A great percentage of the billboard advertising would be very familiar to any North American.

Progress in Production

Perhaps one of the first real impressions one gets upon arrival in Sao Paulo is the tremendous energy to produce goods and services. Sao Paulo is not

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a vacation retreat. It is a working city. It has thousands of factories. Everything conceivable is being produced here — autos, trucks, television sets, adding machines, etc. Sao Paulo has both heavy and light industry.

Much of the production potential is not being used. Full scale production is hampered by a lack of Brazilian-made parts and by import exchange restrictions. The Brazilian government encourages local production by foreign exchange control which gives great preference to firms producing in Brazil. This government policy of preference to home industries results in materials shortages. It also results in products made and sold here priced at comparatively high prices. But the policy also results in products made in Brazil and carrying the label "Industria Brasileira".

A roster of the North American owned or sponsored Brazilian companies with plants in or near the city of Sao Paulo would read like the blue book of American industry. There are hundreds of North American technicians in the employ of these companies. A North American company which is looking for additional markets or increased production should carefully consider Brazil. A company which hasn't considered establishing a plant here has not completed its program of market research.

The relative cost of labor here is low. There are various categories of skilled and unskilled workers available. Almost all trades and skills are represented. The labor available is capable of good productivity. At this particular time the cost of labor is not as important a consideration as the cost of capital. There is, however, considerable social labor legislation which complicates the employment process.

Marketing Methods

In Sao Paulo much of the food distribution takes place at the "feiras". These open air fairs are held in various parts of the city on different days. What a feira resembles is a large open-air department store made up of hundreds of different independent booths. Almost everything is available at feiras, including clothing and hardware items. That this is a venerable method of marketing is attested to by the fact that the names of the week days in Portuguese are derived from the day of the fair. Monday, for example, is segunda feira or "second fair."

Much effort is expended by the sellers in this method of marketing. The vendors have no rent to pay for permanent store locations. But much time has to be devoted to setting up and taking down the stalls at the fairs. The goods are moved by trucks. Tremendous quantities of merchandise must be handled physically each day.

Aside from the feiras there are innumerable small grocery stores, meat markets, fruit stores, bakeries, etc. To shop at these stores requires considerable walking. The feiras give the shopper the advantage of having most household merchandise for sale in one location.

There is a sprinkling of supermarkets in Sao Paulo. They are patterned in some respects after the North American variety. At this time supermarkets offer no threat to the other methods of food distribution. In Brazil the supermarkets must appeal to a select group, normally in the high-medium or high income brackets. Many of the products found here are specialties for Brazil, such as mayonnaise. Prices are usually higher than at the feiras and sometimes the foodstuffs are not as

fresh. American brand names are common among the canned goods, which are relatively expensive in Brazil. The supermarkets are popular among persons owning cars, but most Brazilians do not own cars.

The prevailing method of making a purchase is disconcerting to many North Americans. The sales clerk makes out a sales ticket on every transaction, no matter how small. The customer must take the slip to a cashier. In the meantime the merchandise is taken to a package counter by a runner. The purchaser gets his merchandise by presenting his receipted sales ticket at the package counter. This system is time-consuming, particularly when the stores are busy and long lines form at the cashier and package counter.

Some stores are beginning to break away from this system. The two new Sears stores follow the North American practices of having the clerk handle the entire transaction. The Sears stores are interesting to a North American. They have many of the products found in any North American Sears store. However, the hardware and automobile departments are very small. Most of the merchandise is Brazilian made. Sales on credit are very common.

Business Financing in Sao Paulo

In Sao Paulo the financing of businesses is still largely done through personal loans or borrowing from the family. Direct loans from banks are very common. The issuance of shares of stock is a common procedure, but is used more as an administrative device than as a method of attracting funds. There is no widespread popular ownership of shares here at this time. Interest rates on borrowed funds are high. Profit anticipation in businesses must

be very high. These factors help to give fuel to the fire of inflation.

North American and other foreign firms are allowed to bring in capital in the form of money, material and equipment. Usually the capitalization is in the form of budgeted requirements and is subject to government approval. As the business becomes established it is expected to produce its parts or buy its parts in Brazil. Imports of material and equipment after the initial capitalization are made prohibitive by the government's exchange controls. The Brazilian government does encourage foreign capital by giving initial concessions to new companies and by allowing the companies to take a percentage of the capitalization out of the country in the form of profits.

Government finance is in a critical state. This has effects upon business finance. Inflation is very bad. The cost of living has been increasing here at the rate of 20 percent per year. A businessman must think in terms of future replacement costs.

Need for Business Administration

Much of the government control of business has resulted from poor business administration. Businessmen — often foreigners — exploited Brazilian resources. The philosophy of high prices, high unit profits, and a selective market have all been part of the pattern. The conservative Brazilian businessman was quite authoritarian in his attitude toward business and employees; however, a more liberalized approach now seems more common.

A labor movement did not develop in Brazil as it did in the United States. The functions performed by labor unions in the United States were largely developed here by the government and

are now performed by government agencies. Laws designed to help the worker often work against him. For example, a worker who has been with a company for ten years reaches a state of "stability" by law. The company cannot discharge such a worker after he has gained "stability", except by a very costly process. Sometimes employers react to this law by discharging workers, good and bad, before they reach "stability".

The problems of business administration range across the board from human to technical. There is a growing mass market, a "middle class" with income, and a need for productivity. There is a basic need for a philosophy of business administration. Brazil is reaching the stage where it cannot tolerate business based entirely on personal shrewdness, exploitation, authority and "knack". Many forward-looking Brazilian statesmen and business leaders have recognized this fact. The Brazilians asked the United States government to help them develop a real school of business administration.

Michigan State University's Contribution

The United States government, through its technical cooperation program under Point Four, is helping Brazil to develop a school of business administration. This project is sponsored by the Brazilians through the Getulio Vargas Foundation, a semi-private non-profit organization. The Getulio Vargas Foundation furnishes the physical facilities, office staff, and Brazilian faculty. The United States government's Institute for Inter-American Cooperation has contracted with

Michigan State University to furnish technicians to work with the Brazilians. The College of Business and Public Service of MSU is furnishing professors under this contract. Originally the contract called for the services of four North American professors.

The initial phase of the project was successful. Recently at the request of the Brazilians, the Institute for Inter-American Cooperation entered into an agreement to supply five more North American professors bringing the number to nine. The school now has an undergraduate program similar to business schools in the United States. It also conducts intensive courses and conferences for Brazilian executives patterned somewhat along the lines of the activities of business management programs at North American universities. Teaching is done largely by the use of cases developed from Brazilian business or adapted from United States business practice. The case method was new to Brazil and has been accepted warmly as an effective method of teaching business administration. Today the size of the faculty at the school is about thirty, and plans are prepared for the construction of a new school building. The North American professors help the Brazilian professors develop course work. The Americans teach classes themselves. Approximately ten of the school's Brazilian professors are in the United States working toward advanced degrees in business administration, a number of them at Michigan State University.

Michigan State University is helping to bring real business administration to Brazil.

EARNING RELATIONSHIPS AND ACCOUNTING PROCEDURE

By STUART B. MEAD*

Most of us are readers of financial reports, but many are unfamiliar with the effects of varying accounting procedures that frequently affect the comparability of the reported figures. Herein an accountant describes one variation of which we should be wary.

The most significant financial ratio, most investors would agree, is a corporation's income ratio (— i.e., the net income per share of common stock). This is the figure most frequently reported in the financial papers. Since it is such a popular guide to a stock's value, it should have careful scrutiny.

While this ratio is a proper indicator of a corporation's profitability, the investor may fail to realize that considerable variation is created by the accounting method used in handling extraordinary charges and credits. This article will consider two cases illustrating the resulting change in the net income depending on the accounting procedure used in determining this figure.

Two Income Concepts

Two different concepts of the items included in the income (or "profit and loss") statement are in common use: (1) an *all inclusive* concept and (2) an older concept, which *excludes* all *non-current* income and expense items from the income statement.

The most widely applied method in present day accounting is the all inclusive concept of income. All items of income and expense, whether regular or extraordinary, are considered in ascertaining net income for an accounting period. The concept is stated in "Concepts and Standards Underlying Corporate Financial Statements"¹ as follows:

The income statement should be arranged to report consistently and in reasonable detail the particulars of revenue and the expense pertaining to the operations of the current period, measured as accurately as is possible at the time the statement is prepared and also any items of revenue or expense not associated with the operations of the current period. Such arrangement of data in a single statement discloses both the earning performance and the entire income history of the enterprise during a given period.

The older theory excluded all non-current income and expense items from the income statement. Instead they were shown as adjustments of retained income. "Accounting Trends and Tech-

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¹American Accounting Association (1948 revision)

niques"² shows that this latter method is infrequently used at the present time. Of 262 corporations showing extraordinary items, 181 adjusted net income for the year, 45 adjusted retained income, and 33 adjusted both accounts. While only a few corporations adjusted extraordinary items through retained income, the point to watch is the fact that their earnings relationships are not comparable with those of the companies that adjusted through net income.

Two Examples

We shall illustrate the all-inclusive concept with two examples, one showing an extraordinary charge and the second showing an extraordinary income. The following excerpt from the National Steel Corporation's 1953 statement of income will be used as the first illustration.

Based on the reported net income for the year, the company states in its

annual report that the net income per share is \$6.68. As a footnote there is the statement: "Income before special charges was \$50,334,130, or \$6.84 per share." While *Moody's Manual of Investments* shows both figures, most of the financial journals reported \$6.68. This is an excellent illustration of the material difference resulting from the method of adjusting an extraordinary loss.

Moody's reports the net income to stockholders equity for 1953 as 13.54%. This is based on a reported net income of \$49,174,080. If the ratio had been based on income before special charges, the percent would have been 13.86%.

The second illustration is based on the annual report of the Beech-Nut Packing Company for the year of 1954. The following is excerpted from the consolidated statement of income:

²American Institute of Accountants (1953 Edition)

INCOME BEFORE FEDERAL TAXES	
THEREON AND SPECIAL CHARGE	\$119,659,130
Provision for estimated federal taxes on income—including \$9,100,000 excess profits taxes (before deducting federal income tax reduction applicable to special charge shown below)	69,325,000
INCOME BEFORE SPECIAL CHARGE	\$ 50,334,130
Special charge arising from loss on disposal of Weirton Mine net of \$6,309,254 reduction in federal income taxes resulting therefrom	1,160,050
NET INCOME FOR THE YEAR	\$ 49,174,080

Excerpt from National Steel Corporation and Subsidiaries statement of consolidated income and expense, 1953.

Net Income before Federal Taxes and Special Income		\$ 6,004,948.66
Federal taxes on income		
Current year	\$3,055,000.00	
Less prior year excess profits tax refund (Note 6)	463,397.29	2,591,602.71
		<u>3,413,345.95</u>
Minority interest in income of subsidiary consolidated		42,660.79
Net Income Transferred to Earned Surplus		<u>3,370,685.16</u>
Earned Surplus, December 31, 1953		19,131,779.05
		<u>22,502,464.21</u>
Deduct:		
Cash dividends		2,297,001.00
Earned Surplus, December 31, 1954		<u><u>\$20,205,463.21</u></u>

Excerpt from Beech-Nut Packing Company and Subsidiary consolidated statement of income and earned surplus, 1954.

In note 6 the company stated that the refund of excess profits tax covered taxes paid for the years 1940 through 1945. In the annual report the reported net income per share was \$2.20, a figure cited by most financial journals. This earnings figure is based on the net income figure of \$3,370,685.16. If the Beech-Nut Company had adjusted the extraordinary credit through earned surplus, the net income per share would have been \$1.89. Again a considerable difference results as between the two methods of handling extraordinary items. At this point it should be added that the financial journals, in quoting the \$2.20 figure, carefully brought out the facts shown

in footnote number 6, but did not mention the \$1.89 figure. This brings out the fact that it is necessary to read the "small print" and properly interpret it.

As long as investors attach importance to the net income per share of stock, care must be exercised in comparing the earnings of one year with another. The procedure used in computing net income must be considered. It should be noted also that a single ratio can hardly suffice for an adequate analysis, and other ratios should be used. But the primary fact is that the relationships must be on a comparable basis, and consistency of interpretation must be present.

SOME FUNDAMENTALS OF GOOD BUSINESS REPORTS

By C. W. WILKINSON*

The most dependable means of intra-business communication is the written report. Outlined in this article are principles which should be recognized by every member of the organization.

In the early history of man, reports were not needed. Every man was his own complete business firm or the overseer of a small group of people under his command. As on-the-spot manager of his affairs, a man saw all the facts he needed for making decisions about how to operate his business. For example, when a ship owner captained his one small ship, he saw all the operations and consequently needed no reports.

Then some men gained power over large groups of others as their employers, masters, or tribal chieftans. When one of these bosses sent an underling out to do some work or to scout an enemy tribe, the boss wanted a report indicating difficulties encountered, or to be encountered, and the underling's suggestions of materials, personnel, necessary time, and plans for overcoming the difficulties. For example, when a successful ship owner built a second ship and put a hired captain on it to develop trade along a different route, the owner needed reports of the second ship's activities if he

was to make wise decisions about future operations. Thus the ship's log came into being as one early form of written report. The impossibility of the manager's being in two places — the simple problem of distance—made reports necessary.

When businesses grew to where the manager could not find time to oversee all operations even under the same roof, and some of the processes became so technical that the manager did not have the knowledge to evaluate all of them, reports became more and more widely used for two more reasons: time and technology.

With the increasing complexity of business and government, records became more important, too; and, as their fourth possible function, written reports provided permanent records for the files.

As executives became responsible for more and more varied activities, the wiser ones also began to realize that they could not do all the desirable thinking. They therefore invited employees with initiative to submit their ideas in what are generally called initiative or justification reports. Thus reports began to serve management in a fifth way as vehicles for creative ideas.

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Importance of Reports

If you bring these trends up to the present world of complex economies and government —

- where top management may be thousands of miles away from some operation,
 - where management cannot possibly find time to oversee all the activities even in one large building,
 - where some of the processes are so technical that no man could be competent to decide wisely about all of them,
 - where numerous records must be kept, and
 - where competition pushes a company to use all the creative brain power of all employees in developing new ideas
- you see that reports have become an absolutely essential tool of modern management in making decisions.

For that reason, management today expects almost every employee to be able to write reports. Personnel men frequently check on this ability in each job applicant.

Even after a man is a full-fledged employee, management may continue to study his reports not only for information and ideas in solution to problems but for evidence of the employee's ability to communicate clearly, quickly, and easily. Since a man's reports of his activities are frequently the best indication management has of how well he is doing his job, employers often use them as an important basis in deciding about promotions and salaries. Thus reports often serve in a sixth way—as a basis for evaluating the employees who write them.

Characteristics of Reports

Just as a building should be designed according to its functions, you have

seen several implications of their nature. Yet the word report is such a broad concept that it cannot be well defined in a few sentences. The best way to get a clear idea of the meaning of the word *report* is to consider the usual characteristics of reports, along with the special characteristics of different types.

Usually, but not always, a report—

1. is a *management tool* designed to help an executive in making decision.
2. is an *assigned job*. Periodic reports (at regular intervals such as weekly, monthly, quarterly) are assigned as part of a new employee's regular duties and special reports are assigned as occasions arise requiring them. Usually the assigner will make clear whether he wants an informational report just giving the facts or whether he wants an analytical report giving the facts plus interpretation into conclusions and/or recommendations. If he doesn't the report writer should find out from him.
3. *goes up the chain of command*
4. *is written for one reader or a small, select group of readers*. A report writer can therefore adapt his talking points and language well. The corporation annual report aiming primarily at stockholders and employees still aims at an unusually large readership for a report.
5. *get more than normal attention to organization*
6. *makes more than normal use of the techniques and devices for communicating clearly, quickly, and easily.*

7. *is expected to be objective.* No executive wants to base decisions on a report writer's preconceptions, wishful thinking, or any kind of illogicality.
8. *follows the special form best suited to its particular functions.*

Preparing a complete analytical report is a five-step process: planning the attack on the problems, collecting the facts, organizing the facts, interpreting the facts, and writing up the report in appropriate style. Since any or all of the five steps may be necessary in varying degrees in the preparation of a particular report in any form, we present those five steps before explaining and illustrating any form.

Planning the Attack

Planning the attack is a job to be done at the desk—the headwork before the leg work. It involves six procedures, in the following sequence.

1. Get a clear view of what the central problem is. This procedure requires reflective thinking. As a check, you can try writing a concise and interesting title that clearly indicates the content of the report. If you can do that and also write in one sentence a precise statement of the purpose of the report, you have the necessary clear view of the problem.
2. Consider conditions that influence the report—the use to be made of it, its importance, and the attitude and knowledge of the reader(s), for example. The reader's knowledge of the subject has considerable influence on how much background and detailed explanation you need to give. His attitude, as well as your reputation as an authority, will influence how persuasive you need to be (whether you use the convincing

inductive plan or the faster, more interesting, but possibly less convincing deductive plan).

3. Divide the central problem into its elements. The idea of dividing to conquer applies in report writing as well as in military strategy.

4. Raise specific questions about each element. The questions further divide the problem and point more directly toward collecting data for answers.

5. Take stock of what you already know. Get a clear concept of the assumptions you are willing to make, and separate those which are to be held without further checking from those which are to be checked. Jot down answers known for the questions raised and the tentative answers to be checked. Clearly indicate gaps in information that are to be filled by data to be collected, and jot down what you think tentatively are the best sources and methods for getting the missing data.

6. Make a working schedule.

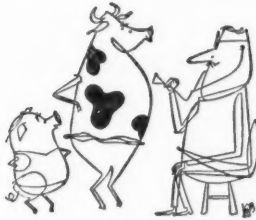
Summary

First the report writer plans the attack by getting a sharp concept of the problem. Then he collects appropriate facts, using the most suitable methods and checking for reliability: Library research, laboratory research, observation, and survey. He then organizes his facts according to the most suitable one of chronological order, order of importance, or (more likely) a fast, interesting, and clarifying deductive order if the reader is likely to be sympathetic or a slower, duller, temporarily puzzling, but finally more convincing inductive pattern if the reader is unsympathetic. As he interprets the facts into logical conclusions and workable

recommendations (omitted in informational reports), he attempts to be objective. In presenting the report, he tells what the facts are, shows that they are reliable by explaining his sound methods of getting them, and uses the following communication techniques to make the reading clear, quick, and easy for the reader:

1. He uses commonly understood words.
2. He keeps his sentences so direct and short (average about 17 words) that they need little punctuation except periods at the ends.
3. He keeps his paragraphs direct and short.
4. He uses headings, topic sentences, and summarizing sentences to show the reader where he is going, and where he has been.
5. He itemizes (as here) to call attention to important points and to force himself to write concisely and precisely.
6. He uses all kinds of non-verbal means of communication (charts, graphs, tables, pictograms, maps) to assist words.
7. He writes specific, concrete, humanized copy by showing how the facts affect people (preferably the reader), thus making his report both clearer and more interesting, and thus meeting the two requirements for written communication—that the writing be interesting enough to get read and clear when read.

a 20th Century Fact



A major victory in control of animal disease through research is evidenced by the fact that the incidence of tuberculosis in cattle stood at 4 per cent in 1922 but was reduced to 0.6 per cent by 1935, notes a new report of the Twentieth Century Fund. Another example is the advances in dealing with hog cholera, which has largely been brought under control whereas losses from this disease in former years ran as high as 6 million head valued at as much as \$65 million.

CURRENT MICHIGAN BUSINESS CONDITIONS

The summer months have continued to present rather divergent aspects. The gradual readjustment of business activity, in progress since the end of 1955, continued into July and August. The steel strike and reductions in automotive production were largely responsible for a summer lull in some lines, although the general picture was still bright by most past standards.

Nation's Business. While business activity generally remained fairly strong during the summer months, important declines took place, for various reasons, in automotive production, housing construction, and in the production of steel and related activities. The Federal Reserve Board's seasonally adjusted index of industrial production stood at 136 percent of the 1947-49 average in July, compared to 141 (revised) in May and 141 in June. The July drop reflected mainly the stoppages in steel output during the steel strike and brought the July index of industrial production below 1955's figure for the first time this year. Although some soft spots have been apparent in recent months, 1956 generally has witnessed industrial production above 1955 rates for the first half of the year. The resumption of full-scale steel production during August caused an obvious spurt in industrial production. Despite the steel strike, activity in most durable goods industries other than iron and steel increased somewhat in July over the preceding month or two. The output of consumer durables increased slightly over May and June. Steel production, down to 15 percent of capacity in July, had recovered by the end of August when production pushed past 97 percent of capacity.

The gross national product (the value of all goods and services produced in the United States) reached an annual rate of \$408.3 billion during the second quarter of 1956, even higher than the \$401.9 billion rate of the last quarter of 1955 and the \$403.4 billion rate of the first quarter of 1956. A portion of the increase was due to an increase in the general price level; however, in real terms the gross national product increased about 4 percent in the first half of 1956 over the same period in 1955.

Outlays for construction expanded further during July and were at a record seasonally adjusted annual rate of \$44.4 billion. Construction contract award data remained in July at the reduced level set in June, but here the steel strike entered the picture. Housing starts declined in July and stood at a seasonally adjusted rate of less than 1.1 million compared to 1.3 million units produced in 1955. Most other types of construction activity other than housing have been at record levels during the summer, particularly so in the cases of private nonresidential building, public utility construction and highway construction.

Retail trade continued into July and August at a level generally above a year ago. Seasonally adjusted retail sales in July continued at the record May-June level and were about 3 percent above a year ago. Softness in some local areas hit by the steel strike and automotive cutbacks was not typical of the general picture. Total department store sales in the United States for the year through

the end of August were running about 4 percent above 1955. Consumer credit increased about $\frac{1}{2}$ billion dollars during June bringing consumer credit outstanding to a record \$37.1 billion at the end of June. Increases in automobile installment credit and in personal loans accounted for more than half of the total increase. Consumer credit thus far in 1956 had increased only \$0.9 billion compared to a \$2.3 billion increase in the same first six months of 1955, indicating a slow-up in consumer credit commitments.

In spite of the steel strike, the total number of Americans holding jobs increased to record levels during the summer months. Total employment of 66,752,000 in August increased about 100,000 over July and 300,000 over June's previous record. Unemployment in August was at 2,195,000—the lowest since October 1955, when the total was 2,131,000.

Average wholesale prices decreased slightly from June to July, although the Bureau of Labor Statistics wholesale price index stood at 114.0 percent of the 1947-49 level in July, more than 2 percent above the beginning of the year and more than 3 percent above a year ago. The \$8.50 per ton general increase in steel prices following increased labor costs will be reflected in the index figures for future months. Leather goods, pulp and paper products, and machinery have been the sectors showing the biggest wholesale price increases in the past 12 months. The consumer price index of the Bureau of Labor Statistics in July hit an all-time high with a 0.8 percent increase over June. The July index reached 117.0 percent of the 1947-49 average. The June index was 116.2 percent and the May index was 115.4 percent. Until May, 1956, the 115.4 peak, previously set in October 1953 was the earlier recorded high. The current increases in consumer prices have been attributed largely to increases in food prices, especially those in fresh fruits and vegetables although most major cost items advanced. The recent peak of 11.5 cents a pound for potatoes was one of the reasons for the rise in the index.

The agricultural situation continues to show some improvement in the summer months. In July, the index of prices received by farmers stood at 244 percent of the 1910-14 level, compared to the low of 222 percent reached in December of 1955 and compared to 247 percent in June. The index of prices paid for all commodities and services, interest, taxes, and wage rates increased to 287 percent of the 1910-14 average in July. The parity ratio (ratio of prices received to prices paid—including interest taxes, and wage rates) hit 86 in June, but slipped back to 85 in July, compared to the low of 80 set in November and December of last year. With higher prices being received by farmers and with soil bank payments, cash receipts for the rest of the year should exceed those of a year ago although slight increases in expenses will also occur.

The Federal Reserve System continues to watch the demands for credit. The remaining Federal Reserve Banks have just raised their discount rates (the rate at which member banks borrow from the Federal Reserve Banks) to 3 percent, thus bringing all the banks to a uniform level. Prior announced increases in prime rates by the major banks in the United States reflect the tight money market now existing throughout the country. The current prime rate of 4 percent is the highest in 23 years. The restrictive policy of the Fed-

eral Reserve System, although criticized by some, is seeking to prevent a bidding up of prices by the excessive use of credit which could lead to an unchecked inflationary spiral.

The tight money situation, the recent steel strike, and shortages of some critical items will force postponement of part of the record \$35 billion business expansion program announced earlier. Delays will push this backlog of plant and equipment contracts into 1957. The tightness of credit has already affected home construction. This condition may put a brake to what otherwise might be the best fourth quarter in history.

Michigan's Business. Automobile production in June and July was cut back to the lowest levels of the year. Passenger car factory sales dropped from 474,010 in May to 445,758 in June to 440,980 in July. First seven month total factory sales reached 3,648,754 for 1956 compared to 4,885,465 in 1955. Truck production has also been undergoing a downward adjustment in the past three months. Factory sales of motor trucks totaled 677,553 for the first seven months of 1956 compared to 744,361 for the same period of 1955.

The inventory of new cars in dealers hands, a problem during the earlier part of the year, has been brought to more manageable levels by cuts in production and increased sales efforts. The inventory total was expected to be approximately 400,000 by the beginning of September, contrasted to the 904,000 total recorded on March first of this year. August production was scheduled at less than 400,000 cars and September was scheduled for about 200,000 cars during the model changeover period. A production boom is expected in the last quarter of the year with the arrival of the 1957 models which might cause the year's production to hit 6¼ million cars.

The State's employment picture continues to be dominated by the auto production picture. Statewide wage and salary employment decreased by 15,000 from May 15 to June 15 and an additional 14,000 to July 15. The July level of 2,292,000 represented the lowest wage and salary employment since October 1954 and ranked below every month in 1953 and 1955. Manufacturing employment at a mid-July level of 1,019,000 was at the lowest since September 1954. In July, statewide unemployment showed an increase for the eighth consecutive month. Between May 15 and July 15, employment cutbacks added 25,000 to the idle labor ranks. Although Detroit continues to bear much of the brunt of the unemployment problem, other outstate auto centers have also been hit by employment cutbacks.

In spite of the clouded employment picture, retail trade has been fairly good although some scattered softness appeared during the summer months. Statewide department store sales through July, for example, were running 3 percent above 1955. Flint department store sales slipped further during the summer so that the 1956 seven month total was 11 percent off from the comparable 1955 total. Statewide, July department store sales in July were 4 percent below July, 1955 although June, 1956 was 5 percent above 1955. Sales tax collections by the Michigan Department of Revenue indicated that April and May retail business in the State had dropped below the 1955 figures for the first time this year. June retail trade, based on sales tax data, was about 2 percent above last year,

although preliminary data would indicate that July retail business had again slipped below a year ago.

Banking activity, although generally above 1955 levels, showed some unevenness during the summer months. Flint continues to be the area with the greatest reduction in banking activity as shown in the table below. At the end of July, time deposits in Lower Peninsula banks that are members of the Federal Reserve System continued above 1955 levels. Demand deposits at the end of July, however, were below 1955 levels for the first time this year, both in Detroit and in the remaining Lower Peninsula banks that are Federal Reserve members. Demand deposits of \$2,314 million in Detroit banks were 7.5 percent off from a year ago while Lower Peninsula banks excluding Detroit with demand deposits of \$1,347 million were 2 percent off from 1955. Loans and discounts by these banks, although substantially above a year ago, slipped slightly in the Detroit area during July.

Department Store Sales

City	May, 1956		June, 1956		July, 1956		Percent Change
	Percent Change from		Percent Change from		Percent Change from		1956 vs. 1955
	Apr. '56	May '55	May '56	June '55	June '56	July '55	Jan. - July
Battle Creek	+ 8	0	+16	+18	-18	+ 7	+ 7
*Detroit	+ 9	+ 5	+ 1	+ 4	-25	- 3	+ 4
*Flint	+ 5	-19	+12	-10	-21	-19	-11
*Grand Rapids	+16	+ 1	+ 2	+ 5	-23	- 4	- 1
*Jackson	+ 8	+12	+ 4	+13	-21	+12	+11
*Kalamazoo	+12	+15	+ 6	+21	-28	+ 8	+15
*Lansing	+10	- 1	+ 8	+ 6	-24	-11	0
Muskegon	+ 6	+ 4	+14	+19	-26	+ 2	+ 5
Port Huron	+ 9	+10	+13	+18	-24	+ 7	+11
*Saginaw	- 5	- 6	+15	+ 6	-19	+ 2	+ 1

*Metropolitan Areas

Source: Federal Reserve Bank of Chicago

Bank Debits

City	Bank Debits (thousands of \$'s)			Percent Change from Previous Year		
	May '56	June '56	July '56	May '56	June '56	July '56
Adrian	24,234	24,546	28,727	+ 4.1	- 1.0	+23.0
Battle Creek	72,283	77,433	73,535	+ 5.2	+ 6.2	+ 0.4
Bay City	51,564	53,125	54,569	+12.0	+ 6.1	+ 8.2
Detroit	6,407,036	6,103,312	5,965,481	- 1.2	- 6.5	+ 3.0
Flint	155,061	157,788	148,220	- 6.4	-10.4	-11.4
Grand Rapids	323,834	335,207	315,929	+ 6.1	+ 6.0	+ 8.5
Jackson	91,747	87,119	87,179	0.0	- 7.6	+ 0.1
Kalamazoo	147,719	152,564	144,500	+18.0	+18.9	+21.1
Lansing	152,677	161,529	142,356	+ 4.4	+ 2.9	- 6.2
Muskegon	86,990	92,867	83,050	+ 9.8	+ 7.3	+ 3.0
Pontiac	83,800	81,304	82,787	+ 7.2	+ 0.7	+ 8.5
Port Huron	43,757	44,211	41,758	+13.5	+ 5.2	- 0.7
Saginaw	115,861	122,213	121,590	+ 5.4	+ 1.9	+ 2.8
Escanaba	11,699	11,874	12,057	+ 7.9	+ 7.7	+10.3
Marquette	12,622	12,910	13,868	+17.5	+ 7.3	+20.0
Sault Ste. Marie	10,936	11,131	11,977	+ 5.0	- 1.9	+ 6.5

Sources: Federal Reserve Banks of Chicago and Minneapolis and Board of Governors of the Federal Reserve System.

**Motor Vehicle
Factory Sales
from Plants in
United States**

	May '56	Factory Sales June '56	July '56	Percent Change from Previous Year May '56	June '56	July '56
Passenger Cars	474,010	445,758	440,980	-34.3	-31.2	-33.1
Motor Trucks and Buses ..	96,476	92,294	81,143	-24.8	-22.8	-26.2

Source: Automobile Manufacturers Association

**Electric Sales in
Kilowatt Hours**

	Thousands of K.W.H. Sales Apr. '56	May '56	June '56	Percent Change from Previous Year Apr. '56	May '56	June '56
Residential	574,174	547,916	526,918	+11.9	+14.5	+15.0
Commercial	315,458	300,686	319,193	+11.1	+11.0	+9.5
Industrial	884,620	891,031	856,982	-0.2	-2.1	-6.4

Source: Edison Electric Institute

**Non-Farm
Employment¹**

	State of Michigan	Detroit Met. Area	Flint	Grand Rapids	Lansing	Saginaw	Upper Penin.
May 15, 1956	2,555,000	1,377,000	134,800	128,900	76,200	60,800	82,100
June 15, 1956	2,541,000	1,368,000	131,100	128,300	75,900	60,200	85,700
July 15, 1956	2,527,000	1,356,000	131,100	128,900	75,900	61,100	78,600
Percent Change from Year Ago:							
May 15, 1956	-4.0	-5.6					2
June 15, 1956	-4.7	-5.7					2
July 15, 1956	-4.8	-5.5					2

Total Unemployment²

	State of Michigan	Detroit Met. Area	Flint	Grand Rapids	Lansing	Saginaw	Upper Penin.
May 15, 1956	207,000	133,000	13,000	6,300	5,600	4,100	6,600
June 15, 1956	224,000	140,000	15,000	7,500	6,500	5,000	5,000
July 15, 1956	232,000	144,000	15,300	8,000	7,000	4,400	5,000
Percent Change from Year Ago:							
May 15, 1956	+172.4	+209.3					2
June 15, 1956	+154.5	+169.2					2
July 15, 1956	+132.0	+132.3					2

¹Labor force estimates from May 15 on have been newly revised by the Michigan Employment Security Commission on the basis of recently developed benchmarks. Revisions where necessary, are being made back to January 1949 by the Commission. These estimates are not necessarily comparable with the labor force information given earlier by this agency.

²Revised labor force estimates for the outstate areas have not been made available at the time of this writing for periods prior to May 15, 1956.

Source: Michigan Employment Security Commission.

—MARVIN HOFFMAN

TWO REASONS FOR WORKING

If you have great talents, industry will improve them: if you have but moderate abilities, industry will supply their deficiency.

—Sir Joshua Reynolds, 1769

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The Bureau of Business Research was established in 1951 to assist the Michigan State University faculty in conducting economic and business research and to serve Michigan business with information and studies. The studies are usually published, and those currently available are listed below. Inquiries should be addressed to the Bureau's director. Where applicable, draw checks payable to Michigan State University.

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16. *Retail Sales in Detroit During December 1955 Newspaper Strike* (Free)



